

State of Arizona  
House of Representatives  
Forty-seventh Legislature  
Second Regular Session  
2006

## **HB 2789**

Introduced by

Representatives Konopnicki, Brown, Burton Cahill, Chase, Downing,  
Hershberger, Huffman, Lopes, Mason, O'Halleran, Reagan, Senators Allen,  
Bee, Bennett, Blendu, Leff, Miranda: Representatives Alvarez, Barnes,  
Boone, Burns J, Jones, Kirkpatrick, Lujan, McClure, McComish, Nelson,  
Paton, Pierce, Quelland, Robson, Senators Arzberger, Cannell, Flake, Hale,  
Hellon, Martin, Mitchell, Soltero

### **AN ACT**

**AMENDING TITLE 41, CHAPTER 10, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 5;  
AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING  
SECTION 41-3016.01; MAKING AN APPROPRIATION; RELATING TO INNOVATION ARIZONA.**

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 41, chapter 10, Arizona Revised Statutes, is amended  
3 by adding article 5, to read:

4 ARTICLE 5. INNOVATION ARIZONA

5 41-1551. Definitions

6 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

7 1. "BOARD" MEANS THE INNOVATION ARIZONA BOARD OF DIRECTORS ESTABLISHED  
8 BY SECTION 41-1551.01.

9 2. "ELIGIBLE APPLICANT" MEANS AN INSTITUTION OF HIGHER LEARNING OR AN  
10 INDIVIDUAL OR PUBLIC OR PRIVATE ORGANIZATION, CORPORATION OR INSTITUTION IN  
11 THIS STATE THAT IS ENGAGED IN RESEARCH AND DEVELOPMENT OR TECHNOLOGY  
12 COMMERCIALIZATION AND THAT HAS A PRINCIPAL INVESTIGATOR WHO HAS ALL OF THE  
13 FOLLOWING:

14 (a) AN ADVANCED DEGREE IN THE TECHNOLOGY FIELD OF THE QUALIFIED  
15 PROJECT.

16 (b) AT LEAST FIVE YEARS OF RESEARCH EXPERIENCE IN THE TECHNOLOGY FIELD  
17 OF THE QUALIFIED PROJECT.

18 (c) ACCESS TO LABORATORY SPACE TO PERFORM THE RESEARCH FOR THE  
19 QUALIFIED PROJECT.

20 3. "FINANCIAL ASSISTANCE" MEANS GRANTS PROVIDED BY THE BOARD FOR  
21 QUALIFIED PROJECTS TO THE ORGANIZATION OF THE PRINCIPAL INVESTIGATOR.

22 4. "FUND" MEANS THE INNOVATION ARIZONA FUND ESTABLISHED BY SECTION  
23 41-1551.05.

24 5. "QUALIFIED PROJECT" MEANS EITHER:

25 (a) A RESEARCH AND DEVELOPMENT PROJECT THAT IS IN A TECHNOLOGY FIELD,  
26 THAT IS SUBMITTED BY AN ELIGIBLE APPLICANT AND THAT THE BOARD DETERMINES HAS  
27 THE POTENTIAL TO RESULT IN A PRODUCT OR SERVICE SUITABLE FOR PRODUCTION OR  
28 MANUFACTURING.

29 (b) GRANTS OF MONIES FOR ACQUISITION OF RESEARCH SUPERIORITY.

30 6. "RESEARCH SUPERIORITY" MEANS THE EMPLOYMENT OF ONE OR MORE  
31 INTERNATIONALLY OR NATIONALLY RECOGNIZED RESEARCHERS AND RESEARCH TEAMS IN A  
32 TECHNOLOGY FIELD.

33 7. "SUSTAINABLE SYSTEMS" MEANS ENVIRONMENTAL, ENERGY AND AGRICULTURAL  
34 TECHNOLOGY AND MANUFACTURING.

35 8. "TECHNOLOGY FIELD" MEANS ANY OF THE FOLLOWING:

36 (a) BIOSCIENCES.

37 (b) ADVANCED COMMUNICATIONS AND INFORMATION TECHNOLOGY.

38 (c) NANOTECHNOLOGY.

39 (d) SUSTAINABLE SYSTEMS.

40 (e) OTHER TECHNOLOGY FIELDS THAT ARE RECOMMENDED BY THE BOARD AND  
41 APPROVED BY THE GOVERNOR.

1           41-1551.01. Innovation Arizona: board: composition: executive  
2                                   director

3           A. INNOVATION ARIZONA AND THE INNOVATION ARIZONA BOARD OF DIRECTORS  
4 ARE ESTABLISHED. THE BOARD CONSISTS OF THE FOLLOWING NINE MEMBERS WHO ARE  
5 APPOINTED BY THE GOVERNOR:

- 6           1. A MEMBER OF THE COMMERCE AND ECONOMIC DEVELOPMENT COMMISSION.  
7           2. A MEMBER OF THE ARIZONA BIOMEDICAL RESEARCH COMMISSION.  
8           3. A MEMBER OF THE PUBLIC AT LARGE.  
9           4. A PRESIDENT OF A PUBLIC OR PRIVATE INSTITUTION OF HIGHER EDUCATION.  
10          5. FIVE MEMBERS WHO HAVE EXPERIENCE IN ONE OR MORE OF THE FOLLOWING

11 AREAS:

- 12          (a) ENVIRONMENTAL OR ECOLOGICAL TECHNOLOGY.  
13          (b) NANOTECHNOLOGY.  
14          (c) BIOSCIENCES.  
15          (d) SEMICONDUCTORS AND ELECTRONICS.  
16          (e) AGRICULTURE TECHNOLOGY.  
17          (f) DEFENSE, AVIONICS AND AEROSPACE.  
18          (g) HIGH TECHNOLOGY INSTRUMENTS, INCLUDING OPTICS.  
19          (h) INFORMATION TECHNOLOGY.  
20          (i) NONPROFIT ORGANIZATIONS THAT CONDUCT, SUPPORT OR FUND RESEARCH AND  
21 DEVELOPMENT.

22          B. FIVE MEMBERS OF THE BOARD CONSTITUTE A QUORUM FOR THE PURPOSE OF  
23 CONDUCTING BUSINESS. AN AFFIRMATIVE VOTE OF THE MAJORITY OF MEMBERS PRESENT  
24 AT ANY MEETING IS SUFFICIENT FOR ANY ACTION TO BE TAKEN.

25          C. THE MEMBER APPOINTED PURSUANT TO SUBSECTION A, PARAGRAPH 4 OF THIS  
26 SECTION SERVES A TWO YEAR TERM AND CANNOT SERVE CONSECUTIVE TERMS OF  
27 OFFICE. ALL OTHER MEMBERS OF THE BOARD SERVE TWO YEAR TERMS BEGINNING AND  
28 ENDING ON THE THIRD MONDAY IN JANUARY AND MAY SERVE CONSECUTIVE TERMS OF  
29 OFFICE.

30          D. MEMBERS OF THE BOARD ARE NOT ELIGIBLE TO RECEIVE COMPENSATION BUT  
31 ARE ELIGIBLE FOR REIMBURSEMENT OF EXPENSES PURSUANT TO TITLE 38, CHAPTER 4,  
32 ARTICLE 2.

33          E. THE GOVERNOR SHALL APPOINT AN EXECUTIVE DIRECTOR FOR INNOVATION  
34 ARIZONA. THE EXECUTIVE DIRECTOR IS ELIGIBLE TO RECEIVE COMPENSATION PURSUANT  
35 TO SECTION 38-611. THE EXECUTIVE DIRECTOR MAY USE THE SERVICES OF EMPLOYEES  
36 OF THE DEPARTMENT AND SHALL DETERMINE THE TIMES AND CONDITIONS OF USE OF  
37 DEPARTMENT EMPLOYEES IN COOPERATION WITH THE DIRECTOR OF THE DEPARTMENT.

38           41-1551.02. Powers and duties of board; confidentiality of  
39                                   information; reports; limitation of liability

40          A. THE BOARD SHALL:

- 41          1. PROVIDE FOR THE ADMINISTRATION OF THE FUND.  
42          2. ISSUE AND MAKE REPORTS AS REQUIRED BY LAW.  
43          3. ESTABLISH APPLICATION FEES.  
44          4. USE THE SERVICES OF PROFESSIONALS IN THE FIELD OF SCIENCE, RESEARCH  
45 AND DEVELOPMENT, TECHNOLOGY OR ECONOMIC DEVELOPMENT TO CONDUCT INDEPENDENT,

1 SCIENTIFIC AND TECHNICAL REVIEWS OF APPLICATIONS UNDER CONTRACTUAL  
2 ARRANGEMENTS. THESE CONTRACTS SHALL BE ENTERED INTO PURSUANT TO CHAPTER 23  
3 OF THIS TITLE.

4 B. THE BOARD MAY:

5 1. ASSIST THE DEPARTMENT IN THE COORDINATION OF THE INDEPENDENT  
6 EFFORTS OF PRIVATE ENTERPRISE INVOLVED IN SCIENTIFIC OR TECHNOLOGICAL  
7 RESEARCH.

8 2. ADOPT RESOLUTIONS AND ACT ON THOSE RESOLUTIONS.

9 3. PROVIDE FINANCIAL ASSISTANCE TO QUALIFIED PROJECTS.

10 4. ACCEPT GIFTS OR GRANTS AND ENTER INTO CONTRACTS OR OTHER  
11 TRANSACTIONS WITH ANY FEDERAL OR STATE AGENCY, MUNICIPALITY, PRIVATE  
12 ORGANIZATION OR OTHER SOURCE.

13 5. PURCHASE, ACQUIRE OR HOLD BY GRANT, GIFT, DEVISE, LEASE OR  
14 OTHERWISE REAL OR PERSONAL PROPERTY OR INTERESTS IN REAL OR PERSONAL  
15 PROPERTY. THE BOARD MAY NOT HOLD AN INTEREST IN INTELLECTUAL PROPERTY.

16 6. IMPROVE, EMPLOY OR USE ANY REAL OR PERSONAL PROPERTY OR INTERESTS  
17 IN ANY REAL OR PERSONAL PROPERTY PURCHASED, ACQUIRED OR HELD FOR THE PURPOSES  
18 OF THIS ARTICLE.

19 7. SELL, CONVEY, LEASE, EXCHANGE, TRANSFER OR OTHERWISE DISPOSE OF ANY  
20 OF ITS PROPERTY OR ANY INTEREST IN ITS PROPERTY, WHEREVER SITUATED.

21 8. DEVELOP POLICIES AND ADOPT RULES NECESSARY TO CARRY OUT ITS DUTIES.

22 9. DESIGNATE SUBCOMMITTEES.

23 10. WAIVE OR REDUCE APPLICATION FEES AS DEEMED APPROPRIATE BASED ON A  
24 SHOWING OF FINANCIAL NEED FOR THE WAIVER OR REDUCTION.

25 11. GRANT MONIES FROM THE FUND TO QUALIFIED PROJECTS. BECAUSE OF THE  
26 MATCHING MONIES REQUIREMENT, THE GRANTING OF MONIES FROM THE FUND IS EXEMPT  
27 FROM THE PROCUREMENT CODE AND SOLICITATION AND AWARD OF GRANT REQUIREMENTS  
28 PRESCRIBED BY CHAPTERS 23 AND 24 OF THIS TITLE.

29 12. IN PROVIDING FINANCIAL ASSISTANCE TO QUALIFIED PROJECTS, CONSIDER A  
30 PRIVATE ENTITY'S ACCESS TO OTHER STATE FUNDING SOURCES AND THE ENTITY'S  
31 ABILITY TO MAXIMIZE THE USE OF THESE STATE FUNDING SOURCES.

32 C. ANY INFORMATION SUBMITTED TO OR COMPILED BY THE BOARD IN CONNECTION  
33 WITH ITS WORK IS SUBJECT TO TITLE 39, CHAPTER 1, ARTICLE 2, UNLESS AN  
34 APPLICANT SHOWS THAT SPECIFIC INFORMATION MEETS EITHER OF THE FOLLOWING:

35 1. IF MADE PUBLIC, THE INFORMATION WOULD DIVULGE THE APPLICANT'S TRADE  
36 SECRETS AS DEFINED IN SECTION 44-401.

37 2. THE SPECIFIC INFORMATION IS LIKELY TO CAUSE SUBSTANTIAL HARM TO THE  
38 APPLICANT'S COMPETITIVE POSITION.

39 D. THE EXECUTIVE DIRECTOR SHALL REPORT QUARTERLY TO THE BOARD ON THE  
40 ACTIVITIES OF INNOVATION ARIZONA, INCLUDING A DETAILED ACCOUNTING OF ANY  
41 EXPENDITURES MADE BY INNOVATION ARIZONA. ON OR BEFORE DECEMBER 31 OF EACH  
42 YEAR, THE BOARD SHALL REPORT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE AND  
43 THE SPEAKER OF THE HOUSE OF REPRESENTATIVES ON THE ACTIVITIES OF INNOVATION  
44 ARIZONA FOR THE PRIOR FISCAL YEAR AND SHALL PROVIDE A COPY OF THIS REPORT TO  
45 THE SECRETARY OF STATE AND THE DIRECTOR OF THE ARIZONA STATE LIBRARY,

1 ARCHIVES AND PUBLIC RECORDS. THE REPORT SHALL INCLUDE A DETAILED ACCOUNTING  
2 OF ANY EXPENDITURE MADE BY THE BOARD.

3 E. THE BOARD SHALL EMPLOY A CERTIFIED PUBLIC ACCOUNTANT TO CONDUCT AN  
4 ANNUAL AUDIT OF THE FUND.

5 F. A MEMBER OR AGENT OF THE BOARD, THROUGH THE EXECUTION OF ANY  
6 CONTRACTS, COMMITMENTS OR AGREEMENTS ISSUED PURSUANT TO THE WORK OF  
7 INNOVATION ARIZONA, IS NOT PERSONALLY LIABLE UNDER THE CONTRACTS, COMMITMENTS  
8 OR AGREEMENTS. A MEMBER OR AGENT OF THE BOARD IS NOT PERSONALLY LIABLE FOR  
9 DAMAGES OR INJURY RESULTING FROM THE PERFORMANCE OF INNOVATION ARIZONA  
10 DUTIES.

11 G. ANY CONTRACT OR AGREEMENT MADE IN VIOLATION OF THIS SECTION IS VOID  
12 AND DOES NOT GIVE RISE TO ANY ACTION AGAINST INNOVATION ARIZONA.

13 41-1551.03. Eligibility for innovation Arizona assistance;  
14 research and development; memorandum of  
15 understanding

16 A. THE BOARD SHALL ESTABLISH PROCEDURES FOR USE IN EVALUATING  
17 APPLICATIONS OF QUALIFIED PROJECTS FOR RESEARCH AND DEVELOPMENT PURSUANT TO  
18 SECTION 41-1551, PARAGRAPH 5, SUBDIVISION (a). THE BOARD SHALL GIVE SPECIAL  
19 CONSIDERATION TO PROJECTS THAT BENEFIT RURAL AREAS OF THIS STATE. THE BOARD  
20 SHALL CONSIDER AWARDING GRANTS IN INCREMENTS ON THE SUCCESSFUL COMPLETION OF  
21 EACH PHASE OF THE QUALIFIED PROJECT.

22 B. AN ELIGIBLE APPLICANT SHALL SUBMIT AN APPLICATION FOR A QUALIFIED  
23 PROJECT PURSUANT TO THIS SECTION ON BEHALF OF AT LEAST ONE PUBLIC ENTITY AND  
24 AT LEAST ONE PRIVATE ENTITY PARTICIPATING IN THE QUALIFIED PROJECT. THE  
25 APPLICATION SHALL DESCRIBE THE RULES AND CONTRIBUTIONS OF EACH ENTITY  
26 PROPOSED FOR THE QUALIFIED PROJECT.

27 C. THE PROVISION OF FINANCIAL ASSISTANCE TO A QUALIFIED PROJECT  
28 PURSUANT TO THIS SECTION IS CONTINGENT ON A FINDING BY THE BOARD THAT THE  
29 QUALIFIED PROJECT IS IN THE BEST INTERESTS OF THIS STATE, HAS THE POTENTIAL  
30 TO EXPAND OR DIVERSIFY THIS STATE'S INDUSTRIAL BASE AND ECONOMY AND HAS THE  
31 POTENTIAL TO RESULT IN AN INCREASE IN HIGH QUALITY JOBS IN THIS STATE. THESE  
32 FINDINGS SHALL BE CONTAINED IN A RESOLUTION ADOPTED BY THE BOARD. THE  
33 RESOLUTION SHALL PRESCRIBE THE EVIDENCE AND REASONS SUPPORTING THIS FINDING,  
34 INCLUDING:

35 1. THE TYPE, AMOUNT AND PROJECTED TIMING OF THE REALIZATION OF THE  
36 ANTICIPATED ECONOMIC BENEFIT TO THIS STATE AS A RESULT OF PROVIDING  
37 ASSISTANCE TO THE PROJECT.

38 2. THE POTENTIAL CONTRIBUTION TO THE GROWTH OF EXISTING BUSINESSES AND  
39 CREATION OF NEW BUSINESSES AND BUSINESS CLUSTERS THAT THE PROJECT WILL  
40 ENHANCE.

41 D. FINANCIAL ASSISTANCE TO A QUALIFIED PROJECT PURSUANT TO THIS  
42 SECTION IS CONTINGENT ON A FINDING BY THE BOARD THAT A PUBLIC OR PRIVATE  
43 SOURCE OTHER THAN THE STATE HAS PROVIDED OR IS LEGALLY COMMITTED TO PROVIDE  
44 FUNDING OR IN-KIND ASSISTANCE FOR THE QUALIFIED PROJECT IN AN AMOUNT EQUAL TO  
45 OR GREATER THAN THE FINANCIAL ASSISTANCE PROVIDED PURSUANT TO THIS SECTION.

1 THIS FINDING SHALL BE PRESCRIBED IN A RESOLUTION THAT IS ADOPTED BY THE BOARD  
2 AND THAT SETS FORTH THE EVIDENCE SUPPORTING THE FINDING.

3 E. BEFORE ASSISTANCE IS PROVIDED, THE BOARD SHALL REVIEW A CREDIBLY  
4 PREPARED ANALYSIS OF THE PROJECT PREPARED PURSUANT TO SECTION 41-1551.02,  
5 SUBSECTION A, PARAGRAPH 4.

6 F. THE BOARD SHALL DEVELOP AN APPLICATION PROCESS AND NECESSARY  
7 APPLICATION FORMS FOR USE IN CONSIDERING THE PROVISION OF FINANCIAL  
8 ASSISTANCE FOR QUALIFIED PROJECTS IN THIS STATE. THE BOARD SHALL DEVELOP  
9 PROCEDURES FOR APPROPRIATE INDEPENDENT, SCIENTIFIC AND TECHNICAL REVIEW OF  
10 ALL APPLICATIONS. THE REVIEW AS TO WHETHER ASSISTANCE SHOULD BE PROVIDED  
11 SHALL BE FORWARDED TO THE BOARD.

12 G. AS A CONDITION FOR RECEIVING FINANCIAL ASSISTANCE PURSUANT TO THIS  
13 SECTION, ELIGIBLE APPLICANTS SHALL ENTER INTO A MEMORANDUM OF UNDERSTANDING  
14 WITH THIS STATE THROUGH THE BOARD. THE BOARD SHALL INCLUDE IN THE MEMORANDUM  
15 ALL OF THE FOLLOWING:

16 1. PERFORMANCE STANDARDS FOR THE QUALIFIED PROJECT AND A REQUIREMENT  
17 THAT THE ELIGIBLE APPLICANT SUBMIT A REPORT TO THE BOARD AT LEAST ANNUALLY OF  
18 THE PROJECT'S PERFORMANCE IN ACHIEVING THE STANDARDS.

19 2. PROVISIONS THAT ALLOW THIS STATE, THROUGH THE BOARD, TO STOP,  
20 READJUST OR RECAPTURE ALL OR PART OF THE FINANCIAL ASSISTANCE GRANTED TO THE  
21 PROJECT EITHER IN FULL OR IN PART ON NONCOMPLIANCE WITH THE TERMS OF THE  
22 MEMORANDUM OR THIS ARTICLE.

23 3. REPAYMENT OF FINANCIAL ASSISTANCE FOLLOWING COMMERCIALIZATION OF  
24 ANY QUALIFIED PROJECT.

25 4. PROVISIONS THAT ALLOW THIS STATE TO USE QUALIFIED PROJECT  
26 DISCOVERIES OR INVENTIONS FOR NONCOMMERCIAL OR RESEARCH PURPOSES ONLY.

27 5. OTHER TERMS, CONDITIONS AND COVENANTS DETERMINED APPROPRIATE BY THE  
28 BOARD.

29 H. THIS SECTION DOES NOT APPLY TO APPLICATIONS FOR QUALIFIED PROJECTS  
30 FOR THE ACQUISITION OF RESEARCH SUPERIORITY.

31 41-1551.04. Eligibility for innovation Arizona assistance:  
32 research superiority; memorandum of understanding  
33 authorized expenses

34 A. THE BOARD SHALL ESTABLISH PROCEDURES FOR USE IN EVALUATING  
35 APPLICATIONS OF QUALIFIED PROJECTS TO ACQUIRE RESEARCH SUPERIORITY. PURSUANT  
36 TO SECTION 41-1551, PARAGRAPH 5, SUBDIVISION (b) APPLICATIONS FOR ACQUIRING  
37 RESEARCH SUPERIORITY MUST BE SUBMITTED BY HIGHER EDUCATION INSTITUTIONS OR  
38 NONPROFIT ENTITIES ENGAGED IN SCIENTIFIC RESEARCH. THE APPLICATIONS SHALL  
39 DOCUMENT SPECIFIC BENEFITS THIS STATE MAY EXPECT TO GAIN AS A RESULT OF  
40 ATTRACTING THE RESEARCH SUPERIORITY.

41 B. THE PROVISION OF ASSISTANCE TO A QUALIFIED PROJECT PURSUANT TO THIS  
42 SECTION IS CONTINGENT ON A FINDING BY THE BOARD THAT THE QUALIFIED PROJECT IS  
43 IN THE BEST INTERESTS OF THIS STATE. THE BOARD SHALL ALSO MAKE A FINDING  
44 THAT THE PROJECT DOES ONE OR MORE OF THE FOLLOWING:

1           1. INVOLVES TECHNOLOGY FIELDS THAT HAVE A REASONABLE PROBABILITY OF  
2     ENHANCING THIS STATE'S NATIONAL AND GLOBAL ECONOMIC COMPETITIVENESS.

3           2. MAY RESULT IN A SCIENTIFIC BREAKTHROUGH.

4           3. IS INTERDISCIPLINARY.

5           4. MAY ATTRACT FEDERAL AND OTHER FUNDING FOR RESEARCH SUPERIORITY.

6           5. IS LIKELY TO CREATE A NATIONALLY OR INTERNATIONALLY RECOGNIZED  
7     LOCUS OF RESEARCH SUPERIORITY.

8           6. IS MATCHED WITH MONIES AVAILABLE TO THE INSTITUTION SEEKING  
9     FUNDING.

10          C. AS A CONDITION FOR RECEIVING FINANCIAL ASSISTANCE PURSUANT TO THIS  
11     SECTION, ELIGIBLE APPLICANTS SHALL ENTER INTO A MEMORANDUM OF UNDERSTANDING  
12     WITH THIS STATE THROUGH THE BOARD. THE BOARD SHALL INCLUDE IN THE MEMORANDUM  
13     ALL OF THE FOLLOWING:

14           1. A REQUIREMENT THAT THE ELIGIBLE APPLICANT SUBMIT A REPORT TO THE  
15     BOARD AT LEAST ANNUALLY.

16           2. PROVISIONS THAT ALLOW THIS STATE, THROUGH THE BOARD, TO STOP,  
17     READJUST OR RECAPTURE ALL OR PART OF THE FINANCIAL ASSISTANCE GRANTED TO THE  
18     PROJECT EITHER IN FULL OR IN PART ON NONCOMPLIANCE WITH THE TERMS OF THE  
19     MEMORANDUM OR THIS ARTICLE.

20           3. OTHER TERMS, CONDITIONS AND COVENANTS DETERMINED APPROPRIATE BY THE  
21     BOARD.

22          D. MONIES AWARDED FOR QUALIFIED PROJECTS TO ACQUIRE RESEARCH  
23     SUPERIORITY MAY BE USED FOR RESEARCH AND RESEARCH CAPABILITY ACQUISITION,  
24     INCLUDING COMPENSATION AND OTHER OPERATING EXPENSES.

25           41-1551.05. Innovation Arizona fund; purpose

26          A. THE INNOVATION ARIZONA FUND IS ESTABLISHED AND SHALL BE  
27     ADMINISTERED BY THE BOARD. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED  
28     AND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF  
29     APPROPRIATIONS. THE BOARD SHALL DEPOSIT ALL MONIES RECEIVED BY INNOVATION  
30     ARIZONA IN THE FUND.

31          B. THE BOARD SHALL USE MONIES FROM THE FUND TO PROVIDE FINANCIAL  
32     ASSISTANCE PURSUANT TO SECTION 41-1551.02.

33          C. ON NOTICE FROM THE BOARD, THE STATE TREASURER MAY INVEST AND DIVEST  
34     MONIES IN THE FUND AS PROVIDED BY SECTION 35-313. THE STATE TREASURER SHALL  
35     CREDIT MONIES EARNED FROM INVESTMENTS TO THE FUND.

36          D. THE FUND CONSISTS OF LEGISLATIVE APPROPRIATIONS, GIFTS, GRANTS,  
37     INTEREST EARNINGS, INVESTMENT EARNINGS AND REPAYMENTS FROM GRANTS AND  
38     PROFITS, IF ANY.

39          E. IN ADDITION TO THE REQUIREMENTS OF SECTION 41-1551.03, SUBSECTION  
40     A, A MINIMUM OF TEN PER CENT OF THE MONIES DISBURSED BY THE BOARD SHALL BE  
41     USED TO PROVIDE ASSISTANCE, EITHER DIRECTLY OR INDIRECTLY, FOR QUALIFIED  
42     PROJECTS THAT BENEFIT RURAL AREAS OF THIS STATE. IF THESE MONIES REMAIN  
43     UNEXPENDED ON APRIL 1 OF THE FISCAL YEAR, THE UNEXPENDED AMOUNT MAY BE MADE  
44     AVAILABLE TO ANY QUALIFIED PROJECT.

1 F. UP TO FOUR PER CENT OF THE MONIES IN THE FUND EACH FISCAL YEAR IS  
2 CONTINUOUSLY APPROPRIATED TO THE BOARD FOR THE PURPOSES OF ADMINISTERING  
3 INNOVATION ARIZONA AND PROVIDING THE NECESSARY INDEPENDENT, SCIENTIFIC AND  
4 TECHNICAL REVIEWS REQUIRED BY SECTION 41-1551.02, SUBSECTION A, PARAGRAPH 4.  
5 THE BOARD SHALL USE THE REMAINING MONIES TO FUND FINANCIAL ASSISTANCE THAT IS  
6 APPROVED BY THE BOARD IN THE AMOUNTS APPROVED BY THE BOARD.

7 Sec. 2. Title 41, chapter 27, article 2, Arizona Revised Statutes, is  
8 amended by adding section 41-3016.01, to read:

9 41-3016.01. Innovation Arizona board of directors; termination  
10 July 1, 2016

11 A. THE INNOVATION ARIZONA BOARD OF DIRECTORS TERMINATES ON JULY 1,  
12 2016.

13 B. TITLE 41, CHAPTER 10, ARTICLE 5 IS REPEALED ON JANUARY 1, 2017.

14 Sec. 3. Purpose

15 Pursuant to section 41-2955, subsection E, Arizona Revised Statutes,  
16 the legislature establishes innovation Arizona to create high-quality,  
17 higher-paying jobs, expand industrial growth and increase prosperity  
18 throughout Arizona. Innovation Arizona is designed to make monies available  
19 to attract world class researchers to this state and accelerate research  
20 commercialization with the goal of developing, commercializing and  
21 successfully bringing innovative products to the markets in this state.

22 Sec. 4. Initial terms of members of the board of directors of  
23 innovation Arizona

24 Except for the member appointed as the president of a public or private  
25 institution of higher education, the initial members of the innovation  
26 Arizona board of directors who are appointed shall assign themselves by lot  
27 to terms of one or two years in office. All subsequent members serve two  
28 year terms of office. The chairperson shall notify the governor's office on  
29 appointments of these terms.

30 Sec. 5. Emergency rule making authority

31 The innovation Arizona board of directors may adopt emergency rules  
32 pursuant to section 41-1026, Arizona Revised Statutes.

33 Sec. 6. Appropriation; innovation Arizona; exemption

34 A. The sum of \$25,000,000 is appropriated from the state general fund  
35 in fiscal year 2006-2007 to the innovation Arizona fund for the purposes  
36 prescribed in this act.

37 B. The appropriation made in subsection A of this section is exempt  
38 from the provisions of section 35-190, Arizona Revised Statutes, relating to  
39 lapsing of appropriations.